

108TH CONGRESS
2D SESSION

H. R. 3877

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for an election by individuals eligible for old-age insurance benefits under such title to waive payment of benefits based on their work record, to provide for income tax deductions based on the actuarial present value of benefits foregone by reason of such an election, and to provide that special Government obligations issued exclusively for purchase by the Social Security Trust Funds shall bear interest at the average market yield then prevailing for comparable obligations issued in the private sector.

IN THE HOUSE OF REPRESENTATIVES

MARCH 2, 2004

Mr. OTTER introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act and the Internal Revenue Code of 1986 to provide for an election by individuals eligible for old-age insurance benefits under such title to waive payment of benefits based on their work record, to provide for income tax deductions based on the actuarial present value of benefits foregone by reason of such an election, and to provide that special Government obligations issued exclusively for purchase by the Social Security Trust Funds shall bear interest at the average market yield then prevailing for comparable obligations issued in the private sector.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Social Security Alter-
 5 native Voluntary Expenditure Act of 2004”.

6 **SEC. 2. ELECTION TO WAIVE PAYMENT OF SOCIAL SECU-**
 7 **RITY BENEFITS.**

8 (a) IN GENERAL.—Title II of the Social Security Act
 9 is amended by adding after section 234 (42 U.S.C. 434)
 10 the following new section:

11 “ELECTION TO WAIVE PAYMENT OF BENEFITS

12 “*In General*

13 “SEC. 235. (a) An individual who is not entitled to
 14 old-age insurance benefits under section 202(a) but who
 15 is eligible for such benefits may elect to waive payment
 16 of all benefits under this title based on such individual’s
 17 wages and self-employment income. Such election shall be
 18 irrevocable and shall be made in such manner and form
 19 as the Commissioner of Social Security, in consultation
 20 with the Secretary of the Treasury, shall prescribe in regu-
 21 lations.

22 “*Effect of Election*

23 “(b) Effective with the date of the filing of an election
 24 by an individual with the Commissioner under subsection
 25 (a), all benefits under this title based on the wages and

1 self-employment income of such individual shall not be
2 payable to any person.

3 “Certification of Value of Refused Benefits

4 “(c)(1) An individual’s election filed with the Com-
5 missioner under subsection (a) shall indicate whether such
6 individual intends to claim income tax deductions under
7 section 224 of the Internal Revenue Code of 1986 in con-
8 nection with such election. In any case in which such indi-
9 vidual indicates such intention in such election, as soon
10 as practicable after the date of the filing of such election,
11 the Commissioner shall determine the actuarial present
12 value of the future benefits which are not payable under
13 this title based on such individual’s wages and self-employ-
14 ment income but which would be payable (upon prompt
15 application therefor) if such individual had filed with the
16 Commissioner, in lieu of the election, an application for
17 old-age insurance benefits under section 202(a).

18 “(2) In the case of any person who, as of immediately
19 before the date on which an individual makes an election
20 under subsection (a), is a divorced spouse of such indi-
21 vidual, the Commissioner shall determine the actuarial
22 present value of the future benefits which would have been
23 payable to such divorced spouse (but for such election)
24 under section 202(b)(5) or 202(c)(5) (based on current
25 entitlement or upon timely and prompt filing on or after

1 such date of an application for such benefits under such
2 section) on the basis of such individual's wages and self-
3 employment income and future benefits which would have
4 been payable to such divorced spouse under section 202(e)
5 or 202(f) upon such individual's death thereafter on the
6 basis of such wages and self-employment income.

7 “(3) Upon making any determination under para-
8 graph (1) in connection with an election made under sub-
9 section (a), the Commissioner shall certify such deter-
10 mination to the Secretary of the Treasury and to the indi-
11 vidual making such election. Upon making any determina-
12 tion with respect to a divorced spouse under paragraph
13 (2), the Commissioner shall certify such determination to
14 such Secretary and such divorced spouse.

15 “(4) The Commissioner shall prescribe by regulation,
16 in advance of making actuarial determinations under this
17 subsection, reasonable actuarial assumptions and methods
18 which shall be employed in making such determinations.
19 Such regulations shall also require inclusion with any elec-
20 tion filed by an individual under subsection (a) such infor-
21 mation available to such individual as the Commissioner
22 considers necessary for making determinations under this
23 subsection.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply with respect to elections filed after
3 180 days after the date of the enactment of this Act.

4 **SEC. 3. DEDUCTION FOR ACTUARIAL PRESENT VALUE OF**
5 **WAIVED OLD-AGE INSURANCE BENEFITS.**

6 (a) IN GENERAL.—Part VII of subchapter B of chap-
7 ter 1 of the Internal Revenue Code of 1986 is amended
8 by redesignating section 224 as section 225 and by insert-
9 ing after section 223 the following new section:

10 **“SEC. 224. ACTUARIAL PRESENT VALUE OF WAIVED OLD-**
11 **AGE INSURANCE BENEFITS.**

12 “(a) ALLOWANCE OF DEDUCTION.—In the case of an
13 individual, there shall be allowed as a deduction for each
14 specified taxable year an amount equal to 20 percent of—

15 “(1) in the case of an individual who elects to
16 waive the payment of benefits under section 235(a)
17 of the Social Security Act, the actuarial present
18 value of future benefits determined by the Commis-
19 sioner of Social Security under section 235(c)(1) of
20 such Act with respect to such individual, and

21 “(2) in the case of an individual who, as of im-
22 mediately before the date of the election referred to
23 in paragraph (1), is a divorced spouse of an indi-
24 vidual referred to in paragraph (1), the actual
25 present value of future benefits determined by the

1 Commissioner of Social Security under section
 2 235(c)(2) of such Act with respect to such divorced
 3 spouse.

4 “(b) SPECIFIED TAXABLE YEAR.—For purposes of
 5 this section, the term ‘specified taxable year’ means the
 6 taxable year which includes the date of the election re-
 7 ferred to in subsection (a)(1) and each of the 4 succeeding
 8 taxable years.”.

9 (b) CONFORMING AMENDMENT.—The table of sec-
 10 tions for part VII of subchapter B of chapter 1 of such
 11 Code is amended by striking the last item and inserting
 12 the following new items:

“Sec. 224. Actuarial present value of waived old-age insurance
 benefits.

“Sec. 225. Cross reference.”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to taxable years ending after the
 15 date of the enactment of this Act.

16 **SEC. 4. INTEREST RATES FOR SPECIAL GOVERNMENT OBLI-**
 17 **GATIONS ISSUED TO THE SOCIAL SECURITY**
 18 **TRUST FUNDS.**

19 (a) IN GENERAL.—The fifth sentence of section
 20 201(d) of the Social Security Act (42 U.S.C. 401(d)) is
 21 amended by striking “shall bear interest” and all that fol-
 22 lows and inserting the following: “shall bear interest at
 23 a rate equal to the average of prevailing market yields for
 24 comparable obligations issued in the private sector (com-

1 puted by the Managing Trustee on the basis of market
2 quotations as of the end of the calendar month next pre-
3 ceding the date of such issue).”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply with respect to obligations issued
6 after the date of the enactment of this Act.

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